Jordan, Sheron Y

From: Warren Nakamura [wnakamura@honolulufcu.com]
Sent: Friday, April 03, 2009 1:20 PM
To: _Regulatory Comments
Subject: corporate credit union anpr

Comments on Corporate Restructuring-by Warren Nakamura charter 1830

The order from most important to least important role the corporate credit unions play for me is:

1. Investments with higher yields: I would like to continue to earn about 6 basis points above agency securities on my investments with the corporate credit union. I have over 90% of investable funds with two corporates and this saves time with not having to wire funds to purchase securities from brokers. At one time I had investments in CMOs, Mutual Funds, and even Australian Denominated Student Loans. I believe if the $61 billion in assets of U.S. Central and Wescorp were invested by natural person credit unions and corporates the loss to capital throughout the system would be even greater. The current market dislocation should not change corporate credit unions authority to invest in securities that enable them to pay rates higher than government securities. If there is no advantage in investing in corporate certificates over what brokers are offering, money would flow out of ncua regulated corporate credit unions.

2. Payment Systems: I would like to continue to have payment systems subsidized by corporate investments. I do not believe payment systems could be separated from investments and still make business sense. Even banks that offer payment system alternatives subsidize fees with account balances.

3. Liquidity: Our loan to share ratio is currently about 70% so liquidity is not an issue. We have 33% of assets in mortgage loans so we could join the FHLB and borrow from them cheaper than the corporate loan rate. We also have arrangements with 5 local credit unions to lend to each other if needed. I do not believe that liquidity should be separated from corporate credit unions providing investments. With large certificate balances at the corporate I would consider withdrawing certificates for long term liquidity needs.

4. Capital: I believe the current capital structure in corporate credit unions is sufficient. I do not believe we should require capital to always protect us against the current market dislocation. I think the corporates maintain sufficient outside modeling tools to monitor risks and NCUA's ongoing over site of large corporate credit unions allows them to mitigate risks.

5. Requiring Transparency and Board Governance: I believe board elections and disclosure of executive compensation of corporate credit unions should be the same as natural person credit unions. I do not believe outside directors should be required in corporate credit unions.

6. Number of Corporate Credit Unions and Field of Membership: I do not believe credit unions should be limited in joining one corporate credit union. I have investments in two corporate credit unions and when I make investments I always document the rates of both corporates. CUNA and state leagues have shown that local offices strengthen ties with credit unions. I do not believe regulators should reduce the number of corporate credit unions but if they choose to merge they should allow the surviving credit union to have a temporary reduction in capital if it makes good business sense. Let the natural person credit unions decide.

I believe trust in NCUA and its ability to fairly oversee corporate credit unions has eroded. If NCUA decided that they would be consistent in conserving all corporate credit unions when their undivided earning were reduced by 90%, they would not have conserved Wescorp and U.S. Central because NCUA did not have the resources to conserve corporates with the same level of risk going forward. As it stands, Wescorp members have to write off 100% of capital based on model assumptions that give a higher OTTI than other corporate credit union model assumptions. What would happen at Members United and Southwest Corporate if the model assumptions used for Wescorp were used to calculate their OTTI? In February 2009 Southwest Corporate had $64 million in retained earnings after withdrawing U.S. Central Shares and before OTTI. Members United had -$19 million in retained earning after withdrawing U.S. Central shares and before OTTI.

Going forward I would suggest that U. S. Central and Wescorp capital we written off by credit unions only to the extent of OTTI shown on audited financial statements as of December 31, 2008. At that level, capital could be frozen and undivided earning (accumulated losses) could be negative. I believe this would be more consistent treatment for all members of corporate credit unions. Given the FASB announcement of April 2nd OTTI may be smaller going forward.

From a strategic standpoint keeping some capital in U.S. Central and Wescorp could preserve manpower resources of NCUA because fewer credit unions would be liquidated and the risk of corporate system liquidity problems would be reduced. Risk of members of the remaining corporates having to write off capital would be reduced.

We are at a "Tipping Point" and the decision to write off 100% of capital in U. S. Central and Wescorp in March may have a major impact on the size of the credit union movement in the future and the extend to which credit unions can meet the borrowing needs of Americans. I thank you for considering my comments and for requesting authority to spread the corporate credit union stabilization over 7 years.